

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
INVESTMENT COMMITTEE**

HELD ON

Wednesday, June 11, 2008

3:30 p.m.

The Investment Committee (IC) of the Arizona State Retirement System (ASRS) met at 3300 N. Central Avenue, 14th Floor Conference Room, Phoenix, Arizona 85012. Mr. Lawrence Trachtenberg, Chair of the IC, called the meeting to order at 3:39 p.m., Arizona Time.

The meeting was teleconferenced to the ASRS Tucson office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Lawrence Trachtenberg, Chair
 Mr. Christopher Harris, Vice-chair
 Mr. Thomas Connelly
 Mr. James McLaughlin

A quorum was present for the purpose of conducting business.

Mr. Lawrence Trachtenberg said approval of the IC Minutes would be the first topic at future meetings.

2. Presentation, Discussion, and Appropriate Action Regarding the Status Update of the Supplemental Retirement Savings Plan (SRSP)

Mr. Trachtenberg introduced the topic. Mr. Paul Matson, Director, explained the history of the Supplemental Retirement Savings Plan (SRSP). It was originally created to serve as the savings vehicle for a Modified Deferred Retirement Option Plan (MDROP), created in 1999. The agency obtained Internal Revenue Service (IRS) approval for the plan in 2001. However, with increasing contribution rates, revised information about the likely cost of the MDROP program, and unclear consequences of implementing the plan, the ASRS determined that the MDROP was not a plan that the agency should move forward with. The ASRS consequently supported legislation to terminate authorization for the MDROP plan. As a result, the SRSP remained as an optional vehicle for members to use for supplemental retirement savings. Nationwide Retirement Solutions (NRS) was selected as the vendor, and in late spring of 2007, staff approved the funds to be offered and the marketing materials. The SRSP is only offered to employees of participating non-state ASRS member employers. In July of 2007, the rollout of the SRSP began.

Mr. Matson mentioned there are investment options in the SRSP, expounding on several attractive features offered, such as various asset class options and a variety of contribution elections.

Ms. Yota Aguilar, Program Director, NRS, noted all eligible employers have been contacted by NRS and meetings have been held with those interested throughout the state. There are now

seven employers who have signed up and nine participants. Many other employers have shown interest. The ASRS has provided information to employers in our newsletters and on the ASRS website.

3. Presentation and Discussion, and Appropriate Action Regarding the ASRS Investment Management Statement of Beliefs and Value Proposition

Mr. Trachtenberg introduced the topic. Mr. Matson explained, although the ASRS staff has a general series of investment beliefs, these beliefs have not been formally documented nor debated. As a result, staff has put together the Investment Beliefs and Value Proposition documents. Building a consensus on these documents will better enable the development of congruent and synergistic investment strategies, and ensure the effective and efficient allocation of resources.

Mr. Matson noted, in general, the Investment Beliefs determine the general paradigm within which investment strategies are developed, investment ideas are reviewed, and investment decisions are implemented. He detailed each of the following Investment Beliefs. Discussion ensued. Mr. Christopher Harris commented that “Trustees” could be added to the list of Investment Beliefs, similar to Belief number 10, “Investment Consultants.” Mr. Connelly commented on the magnitude of asset class decisions and an idea of constraints or ranges that could be considered.

1. Asset Class Decisions are Key
2. Theories and Concepts should be Sound
3. House Views should be Developed
4. Investment Strategies should be Forward Looking
5. Information Universes are Multiple
6. Markets are Generally Informationally Efficient
7. Market Frictions are Relevant
8. Internal Investment Professionals are Beneficial
9. External Investment Management is Beneficial
10. Investment Consultants

Mr. Matson outlined the Value Proposition, which states the following key areas of perceived strength of the Investment Management Division (IMD).

1. Internal Investment Management
2. Industry Experience, Knowledge, Networks, Independence
3. Platform Breadth
4. Backup Investment Managers

4. Presentation, Discussion, and Appropriate Action Regarding Economic/Financial Markets

Mr. Trachtenberg introduced the topic. Mr. Gary R. Dokes, Chief Investment Officer (CIO), introduced Mr. Bob Prince, Co-Chief Investment Officer, Bridgewater Associates, and Mr. Tom Bachner, Senior Client Advisor, Bridgewater Associates, who presented their perspectives on the U.S. and world economy and financial markets. A comprehensive dialogue was held.

5. Call to the Public

No members of the public requested to speak to the IC.

The meeting adjourned at 7:04 PM.

Respectfully submitted,

Lisa Hanneman, Secretary Date

Gary R. Dokes, Chief Investment Officer Date